



*Original*

**S T O L L · K E E N O N · O G D E**  
P L L C

2000 PNC PLAZA  
500 WEST JEFFERSON STREET  
LOUISVILLE, KENTUCKY 40202-2874  
502-333-6000  
FAX: 502-333-6099  
WWW.SKOFIRM.COM

**KENDRICK R. RIGGS**  
DIRECT DIAL 502-560-4222  
DIRECT FAX 502-627-8722  
kendrick.riggs@skofirm.com

June 2, 2006

**VIA HAND DELIVERY**

**RECEIVED**

**JUN 02 2006**

**PUBLIC SERVICE  
COMMISSION**

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**RE: In the Matter of the Application of Louisville Gas and Electric Company and  
Kentucky Utilities Company for Authority to Transfer Functional Control of  
Their Transmission System**  
**Case No. 2005-00471**

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of a Stipulation in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec  
Enclosures

cc: All persons of record requesting intervention  
Kent W. Blake (w/encl)  
Elizabeth L. Cocanougher (w/encl)

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

**In the Matter of:**

**JUN 02 2006**

**APPLICATION OF LOUISVILLE GAS AND )  
ELECTRIC COMPANY AND KENTUCKY )  
UTILITIES COMPANY FOR AUTHORITY )  
TO TRANSFER FUNCTIONAL CONTROL )  
OF THEIR TRANSMISSION SYSTEM )**

**PUBLIC SERVICE  
COMMISSION**

**CASE NO. 2005-00471**

**STIPULATION**

WHEREAS the Commission initiated an Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company (collectively, the "Companies") in the Midwest Independent Transmission System Operator, Inc. ("MISO"), Case No. 2003-00266; and

WHEREAS the Commission granted the Kentucky Industrial Utility Customers, Inc. ("KIUC"), and the Attorney General of Kentucky through his Office of Rate Intervention ("AG") Intervener status in that proceeding; and

WHEREAS the KIUC and AG anticipate the Commission will grant them Intervener status in this proceeding; and

WHEREAS the Companies, KIUC, and AG all desire that the Commission expeditiously issue an Order in Case No. 2003-00266 approving the Companies' withdrawal from membership in MISO; and

WHEREAS the Companies will be obligated to pay MISO a fee to complete their withdrawal from MISO ("Exit Fee") which is estimated not to exceed \$41 million; and

WHEREAS the records of evidence in this proceeding and in Case No. 2003-00266 indicate that the Exit Fee represents a material, extraordinary, and non-recurring expense whose

one-time payment is expected to subsequently permit the Companies to pursue the provision of service at significantly reduced costs and merits particular ratemaking treatment under these special circumstances;

NOW, THEREFORE, pursuant to 807 KAR 5:001 Section 4(6), the Companies, KIUC, and AG stipulate as follows:

1. The Signatories to this Stipulation support the Companies' joint application in this proceeding and request the Commission expeditiously review and approve the application without a hearing by June 30, 2006.
2. The Signatories to this Stipulation recommend the Commission issue an order granting the following relief:
  - a. approval of the transfer of the functional control of the Companies' facilities from MISO to the Companies, for the purpose of affecting the withdrawal of their membership from MISO and to Tennessee Valley Authority ("TVA") to the extent necessary for TVA to act as the Companies' Reliability Coordinator and to the Southwest Power Pool, Inc. ("SPP") to the extent necessary for SPP to perform its function as the Companies' Independent Transmission Organization; and, provided the Companies complete their exit from MISO membership;
  - b. allows LG&E and KU to establish Regulatory Assets equal to the total amount of the MISO Exit Fee but not to exceed \$41 million, allocated between LG&E and KU on the same basis as expenses under MISO Schedules 10, 16 and 17;
  - c. determines that LG&E and KU prudently incurred the Exit Fee;
  - d. approves the establishment of Regulatory Liability Accounts for LG&E and KU, not to exceed the MISO Exit Fee, for the amounts by which annual costs incurred

by the LG&E and KU for services provided by TVA as Reliability Coordinator and SPP as Independent Transmission Operator are less than the amounts included in the test period for LG&E in Case No. 2003-00433 (\$3.3 million) and KU in Case No. 2003-00434 (\$3.1 million) during the period of time between the date when the Companies complete their exit from MISO and stop incurring MISO Schedule 10 expenses and the end of the test period which is the subject of the next electric base rate cases filed by LG&E and KU;

- e. approves the establishment of five-year amortization periods for the recovery of the balances in the Regulatory Liability and Asset accounts at the time of LG&E's or KU's next electric base rate case; and
  - f. acknowledges that LG&E and KU may include, via a pro-forma adjustment to test period Net Operating Income in their next electric base rate cases, the amount of the annual amortization of the Regulatory Asset or Liability accounts based on the five-year amortization schedule; and
  - g. acknowledges that LG&E and KU will remove, via a pro-forma adjustment to test period Net Operating Income in their next electric base rate cases, any non-recurring expenses or revenues related to the Companies having been a member of MISO during any portion of the test periods except as noted above.
3. The signatories to this Stipulation submit the foregoing stipulation is a fair, just and reasonable resolution of the issues identified herein and recommend the Commission resolve the issues herein based upon the stipulation.
  4. The signatories hereto warrant that they have informed, advised and consulted with the respective parties hereto in regard to the contents and significance of this agreement and

based upon the foregoing are authorized to execute this Stipulation on behalf of the parties hereto.

5. This Stipulation constitutes the complete agreement and understanding among the signatories hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.
6. For the purpose of this Stipulation only, the terms are based upon the independent analysis of the parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation.
7. Neither the Stipulation nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing controversies arising out of the implementation of the stipulation of the terms herein. This Stipulation shall not have any precedential value in this or any other jurisdiction.

Dated: June 2, 2006

Respectfully submitted,



Kendrick R. Riggs

William Duncan Crosby III

Sarah K. M. Adams

Stoll Keenon Ogden PLLC

2000 PNC Plaza

500 West Jefferson Street

Louisville, Kentucky 40202

Telephone: (502) 333-6000

Elizabeth L. Cocanougher

Senior Regulatory Counsel

E.ON U.S. LLC

220 West Main Street

Post Office Box 32010

Louisville, Kentucky 40232

Telephone: (502) 627-4850

Counsel for Louisville Gas and Electric  
Company and Kentucky Utilities Company

A handwritten signature in black ink, appearing to read "David F. Boehm", written over a horizontal line.

David F. Boehm

Michael L. Kurtz

Boehm, Kurtz & Lowry

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Counsel for the Kentucky Industrial Utility  
Customers, Inc.



---

Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that an original and ten copies of this Stipulation on the 2nd day of June 2006 was hand delivered to Elizabeth O'Donnell, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, and that copies were mailed, postage prepaid, to:

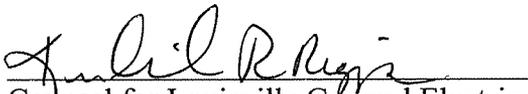
Katherine K. Yunker  
Katherine S. Sanford  
Yunker & Associates  
Post Office Box 21784  
Lexington, Kentucky 40522-1784

Stephen G. Kozey  
Midwest Independent Transmission  
System Operator, Inc.  
701 City Center Drive  
Carmel, Indiana 46032

Stephen L. Teichler  
Duane Morris, LLP  
1667 K Street, N.W., Suite 700  
Washington, DC 20006-1608

Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

David F. Boehm  
Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202

  
Counsel for Louisville Gas and Electric  
Company and Kentucky Utilities Company